



PERSpectives



June 2005

Public Employee Retirement System of Idaho

PERSI HOSTS INVESTMENT CONFERENCE

PERSI hosted an investment managers conference June 8-9, 2005, at the Boise Depot. Organized by PERSI's Chief Investment Officer Bob Maynard, the event drew more than 100 investment managers from London, New York, San Francisco, Denver, Philadelphia, and Los Angeles.

Since the last conference three years ago, PERSI has seen changes in its Retirement Board, investment managers, and consultants. In addition, the market has undergone many ups and downs. According to Bob, "This conference was organized to test the appropriateness of the PERSI investment posture for both the near and medium term investment environment."

When explaining PERSI's investment posture and strategies, Bob cited three developments that dominated the thinking. First, the rebound following the recession and equity bear market was only going to take a year or two, rather than being a long, drawn-out process. Second, the capital markets over the next 20 years would be very different from the previous 20 years. And third, PERSI cannot and should not rely on larger macro themes to carry the burden of continued excellent absolute and relative returns. He went on to describe PERSI's position as being more like a tortoise than a hare when it comes to reaching for returns. "We are looking to limit our exposure and are hoping the parts of our portfolio that have not added to excess returns will soon begin to produce," noted Bob.

Conference goers learned that PERSI is fortunate to have a legislature and Board with a good sense of the importance of managing the liability side of the pension fund equation. Both entities have always felt any benefit increases must be paid for by a corresponding increase in contribution rates.

Thanks to this conservative position, PERSI did not fall into the trap many retirement systems did in the 90s of either lowering contribution rates too much or permanently increasing benefits — or both.

Besides learning more about PERSI, its governing structure, investment goals, recent performance, and current investment posture, attendees discussed a wide range of economic and capital market topics, which included:

- Consensus Economic and Market Views
- U.S. and Developed Market Economies
- Consumer Debt and the Twin Deficits
- Developed World Capital Markets
- Liquidity, Risk Tolerance, Credit Spreads
- Fixed Income Markets
- Institutional Return Expectations
- Hedge Funds
- Developed World Equity Markets
- Technology Sector
- Re-rating Large Cap Quality Growth
- Real Estate and Private Equity

On the final day of the conference, Bob moderated a panel discussion at a Boise City Club luncheon, which was broadcast on National Public Radio 91.5, Boise State radio. City Club members and guests were invited to ask questions about the world's capital markets. As a follow on, the *Idaho Business Review* ran an article titled "Why PERSI Managers Like Foreign Markets" in its June 20th issue.

Inside this issue:

Retiree Profile.....	2
Social Security	3
Mellon Acquisition	4
Free Credit Reports	4

PERSI RETIREE PROFILE

- Fred Mitchell: Following his dreams before and after retirement -

Living the life we want before and after retirement is a goal many of us set, but not all of us achieve. Sometimes we follow our dreams, but other times we have to let go out of necessity. For PERSI retiree Fred Mitchell, there's been no compromise. He is noteworthy not only because of the way he's lived his life, but also the way he thrives in retirement.

Fred was born on April 15, 1923 (making him 82 years young in 2005). There's an irony in being born on tax day, since he spends time volunteering as an AARP tax preparer for persons with low to moderate income in Northern Idaho. But let's not get ahead of the story.

Fred always had dreams. In 1943, while a student at Purdue University, he joined the military and graduated as an Army Air Corps Navigator. As a member of the 452nd Air Bomb Group stationed in England, Fred — along with an eight-man crew — flew B-17s in 30 missions between January and April 1945. According to Fred, “we got lots of holes, but came back safely.”

In late 1945, Fred returned to the states and began to chase his next dream.

“Go confidently in the direction of your dreams. Live the life you've imagined.”

Henry David Thoreau

He moved to Sioux Falls, South Dakota, where he married Natalie Lunden and started a family (eventually having three sons). Mrs. Mitchell, better known as the *Chief-of-Staff*, has always supported Fred and given him the freedom to pursue his dreams — the next of which was to go from being a navigator to being a pilot. In 1947, he finished pilot training. While stationed at Greenville Air Force Base (AFB) in South Carolina, Fred flew a C-119 transport, dropping paratroopers who were stationed at Ft. Bragg, North Carolina, and Ft. Benning, Georgia.

Fred's next dream was realized in 1949 when he completed Weather Forecasting School at Chanute

AFB in Illinois. He was later sent to the Philippines, where he stayed until 1952. During this tour of duty, he forecasted weather, flew air-sea rescue missions, and worked as a navigator when needed. Upon returning stateside, Fred first served with the 6th Mobile Weather Squadron and later as a C-46 pilot instructor in Oklahoma and Illinois. He also completed his WB-50 pilot training. Eventually, Fred went back to England where he joined the 53rd Weather Recon Squadron, which flew over the Atlantic and Greenland. In 1960, Fred returned to the U.S. and was stationed at Malmstrom AFB in Montana. After 21 years of military service, Major Mitchell retired. He had flown a total of 5,200 hours during his military career, and had fulfilled his dream of becoming a pilot.

Although retired from the military, Fred was not ready to settle down. He had a new dream. In 1964, he became an Idaho teacher. Fred and Natalie moved to Coeur d'Alene, where he taught algebra and geometry while working towards his master's degree in education. He went on to teach trigonometry, probability, and statistics to more than 2,500 high school students. During this time, Fred served as the President of the Coeur d'Alene Education Association (1972-73) and was the Chair of the Association's Finance Committee (1979-81). In 1980, Fred was recognized for his contribution to the Idaho educational community. He was awarded the prestigious *Friends of Education* award. After spending 21 years as a teacher, Fred retired from public service in 1983.

Fred's passion for life is evident, so it's no surprise that even in retirement he is active. Wanting to put his teaching and math skills to good use, Fred volunteered with AARP as a tax preparer for lower income people in the Coeur d'Alene area. He is said to be the oldest AARP volunteer in Northern Idaho. In addition, Fred was an active member of a group organized to furnish the public with unbiased studies of tax matters. Fred also served as a legislative committee chair for Retired Educators, which monitors and lobbies for fair cost-of-living increases for Idaho's public employee

retirees. And in 1992, he was the volunteer coordinator for the Trinity Lutheran Church building project.

At 82, Fred still has dreams and goals. He expects to continue serving his family, church, local schools, and his community to the best of his ability, and in whatever capacity he can. If Coeur d'Alene residents see a whirlwind going through town, they should take a good look because it could be Fred Mitchell chasing down another dream.

On a final note, the Mitchell's will celebrate their 60th wedding anniversary in November...and for Fred, that enduring relationship with Natalie just might be his ultimate dream come true.

If you have been inspired by Fred's story or you are interested in performing volunteer work in your community, you might visit these Web sites:

www.aarp.org/volunteer (senior organization)

www.national.unitedway.org (general)

www.idahosheart.org (child abuse)

www.boiseraceforthecure.org (breast cancer)



Fred and Natalie Mitchell, married in 1953, will celebrate 60 years together in November.

SOCIAL SECURITY: Myth vs. Truth

With all the talk about changing Social Security, you may be wondering what is true and what is not. The following information recently appeared in the *Dallas Morning News*. You might find it helpful.

Myth: Social Security is just fine and will not need any help until 2042.

Truth: Projections show the retirement system will begin paying out more in benefits than it receives in revenue by 2018, at which time it will begin using trust funds to pay benefits. It is expected to deplete its reserves by 2042 (2052 according to the nonpartisan Congressional Budget Office).

Myth: All of Social Security's money has already been spent.

Truth: Social Security does not keep its savings in cash. After paying benefits, the reserves are invested in Treasury notes called "specials." The Treasury Department uses the funds to finance government operations. The "specials" are like other Treasury instruments and are backed by the full faith and credit of the U.S. government.

Myth: Private accounts must be added to save Social Security.

Truth: Social Security can be saved without private accounts. Adding private accounts in the short term may actually make the fix more difficult because funds diverted to the new system must be replaced. Over the long term, private accounts might produce higher earnings, depending on how the markets perform.

Myth: Private accounts would undermine Social Security, putting widows or the disabled at risk.

Truth: The Administration has proposed diverting 4 percent of payroll taxes into individual accounts, but not cutting survivor or disability benefits to fund the transition costs.

Myth: Social Security will go broke and stop paying benefits in 2042.

Truth: Technically, the retirement system will be insolvent on that date; however, it is expected to have sufficient cash revenue from payroll taxes to pay 74 percent of benefits.

Learn more about Social Security and the debate over private accounts at www.socialsecurity.org or www.aarp.org.

RETIREE
PERSpectives
Public Employee Retirement System of Idaho

PERSpectives is published for members of the Public Employee Retirement System of Idaho
607 North 8th Street, Boise, ID 83702
Base Plan: 208.334.3365 or 1.800.451.8228
Choice Plan: 1.866.437-3774
www.persi.state.id.us

RETIREMENT BOARD
Jody B. Olson, Chairman
Clifford T. Hayes, Dennis L. Johnson
J. Kirk Sullivan, Pamela I. Ahrens

Alan H. Winkle, Executive Director
Patrice Perow, Editor

Costs associated with this publication are available from PERSI in accordance with §60-202, Idaho Code 12-04/65,000

DRS/PIDnws-6-05

MELLON ACQUIRED BY ACS

Mellon's human resources consulting and outsourcing business – which provides support services for the PERSI Choice Plan – has been acquired by Affiliated Computer Services (ACS) Inc., a Fortune 500 company based in Dallas, Texas. Founded in 1988, the company has \$5 billion in revenue, more than 50,000 employees, and a worldwide client base. ACS has promised a seamless transition so PERSI members should not experience any disruption or encounter any noticeable changes.

FREE CREDIT REPORTS

Idaho residents can request copies of their credit report at no cost. A new federal law went into effect this year that lets you get a free copy of your credit report. Below are the numbers for the three reporting agencies:

- Equifax: 1-800-685-1111
- Experian: 1-888-397-3742
- TransUnion: 1-800-888-4213



PERSI
P.O. BOX 83720
Boise, ID 83720-0078

PRSR STD
U.S. POSTAGE PAID
PERMIT NO.1
BOISE, IDAHO